

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SS-14 DRC-01 RSC-01 INR-10 SSO-00 PM-03

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P 282236Z JAN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7284

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 0430/1

STADIS////////////////////////////////////

LIMDIS

C O R R E C T E D C O P Y -- PARA TWO SUBPARA THREE --

EO 11652: GDS

TAGS: PFOR, CI

SUBJ: FOREIGN MINISTER REQUESTS BILATERAL WITH SECRETARY AT
MEXICO

REF: SANTIAGO 0424

1. SUMMARY: FOREIGN MINISTER REQUESTS BILATERAL WITH SECRETARY AT MEXICO TO DISCUSS GOC CONCERN ABOUT PERU, CHILEAN ECONOMIC SITUATION, AND GOC PL-480 REQUEST. ACTION: REQUEST THAT TIME BE BLOCKED ON SECRETARY'S MEXICO CALENDAR FOR BILATERAL WITH HUERTA AND THAT I BE GIVEN GUIDANCE FOR REPLY TO FOREIGN MINISTER. END SUMMARY

2. DURING JANUARY 25 MEETING WITH FOREIGN MINISTER HUERTA AT HIS REQUEST (REFTEL), HE RAISED THIS SUBJECT. ADMIRAL HUERTA SAID THAT HE WISHED TO INFORM ME THAT HE INTENDS TO REQUEST A MEETING WITH THE SECRETARY AT MEXICO CITY. FOR HIM, THIS WOULD BE THE MOST IMPORTANT PART OF THE MEXICO CITY MF. HE SAID HE WISHED THE SECRETARY TO KNOW THAT HE WOULD LIKE TO DISCUSS THE FOLLOWING SUBJECTS:

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A. PERU: FOREIGN MINISTER SAID PERU IS A SOURCE OF GREAT CON-

CERN TO GOC. ON THE SURFACE, GOC RELATIONS WITH PERU ARE GOOD. HUERTA SAID HE ENJOYS A VERY CORDIAL RELATIONSHIP WITH HIS COUNTERPART, FOREIGN MINISTER DE LA FLOR. NEVERTHELESS, THERE ARE MANY ELEMENTS OF THE PERUVIAN SITUATION WHICH ARE OF GREAT CONCERN TO GOC. THE PRINCIPAL GOC CONCERNS ARE THE POLITICAL SITUATION IN PERU, THE SOVIET USE OF PERU AS A POINT OF PENETRATION IN LATIN AMERICA, AND HEAVY PERUVIAN ARMS PURCHASES.

(1) POLITICAL SITUATION: GOC CONCERN ABOUT THE PERUVIAN POLITICAL SITUATION DERIVES FROM THE UNCERTAINTY ABOUT HOW LONG VELASCO ALVARADO'S HEALTH WILL PERMIT HIM TO REMAIN PRESIDENT. WHILE THE GOC REGARDS MOST OF THE LEADERS OF THE PERUVIAN ARMED FORCES AS MODERATES, IT IS CONCERNED THAT A NUMBER OF THE COMPETITORS FOR LEADERSHIP OF THE PERUVIAN GOVERNMENT ARE OF A RADICAL TINGE. AS AN EXAMPLE HE CITED MINISTER OF FISHERIES TANTALEAN WHO HAS TWICE RECENTLY REFERRED IN PUBLIC SPEECHES TO WAR WITH CHILE AS "INEVITABLE." IN ADDITION TO WHAT SACH HOTHEADS MIGHT BE WILLING TO ENVISAGE IN TERMS OF FOREIGN ADVENTURES, THERE IS THE FACT THAT IN AN UNSTABLED PERUVIAN POLITICAL SITUATION A CRISIS WITH CHILE UNDOUBTEDLY WOULD SERVE AS A NATIONAL UNIFYING FACTOR. GIVEN REVANCHIST SENTIMENT IN PERU, THERE HAS LONG BEEN TALK OF WAR WITH CHILE REVOLVING AROUND 1979 AS ONE-HUNDREDTH ANNIVERSARY OF THE WAR OF THE PACIFIC. RECENTLY, THIS DATE HAS BEEN MOVED UP TO 1976. THE GOC IS GENUINELY CONCERNED AT THE POSSIBILITY OF A PERUVIAN LIGHTNING-STRIKE TOWARD THE SOUTH WITH LIMITED TERRITORIAL OBJECTIVES.

(2) SOVIET PENETRATION: WITH THE OVERTHROW OF THE ALLENDE REGIME IN CHILE, THE "POINT OF THE LANCE" OF THE SOVIET-CUBA-PANAMA-PERU-CHILE AXIS FOR PENETRATION OF LATIN AMERICA WAS BLUNTED. THE INEVITABLE RESULT HAS BEEN INCREASED SOVIET CONCENTRATION ON PERU. SOVIET PRESSURES AND BLANDISHMENTS FOR ARMS SALES TO PERU AND PERUVIAN PURCHASES DEMONSTRATE THIS.

(3) PERUVIAN ARMS PURCHASES: THE INITIAL SOVIET DELIVERY OF T-55 TANKS TO PERU IS ONLY THE FIRST INCREMENT OF A TOTAL PERUVIAN PURCHASE OF 200. IN ADDITION THE PERUVIANS ARE PURCHASING ROCKETS FROM THE SOVIETS. THE
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GOC IS AWARE THAT THESE PERUVIAN PURCHASES ARE IN ADDITION TO A SUBSTANTIAL SHIP PURCHASE FROM THE UK AND THE PURCHASE OF MIRAGE AIRCRAFT FROM THE FRENCH. FINALLY, THE GOC UNDERSTANDS THAT THE PERUVIANS HAVE SHOWN AN INTEREST IN THE PURCHASE OF F-5 AIRCRAFT FROM THE USG. TAKEN TOGETHER, THESE ASPECTS OF THE PERUVIAN SITUATION PRESENT A VERY WORRISOME PICTURE TO THE GOC. I REMARKED THAT WITHOUT IN ANY WAY WISHING TO CONTEST GOC MOTIVES

FOR CONCERN ABOUT THE PERUVIAN SITUATION, IT OCCURRED
TO ME THAT ANOTHER ASPECT WAS ALSO WORTHY
OF CONSIDERATION. I SAID THAT SEVERAL RECENT VISITORS
TO CHILE WHOSE VIEWS I VALUED HAD COME HERE DIRECTLY FROM
PERU. I WAS STRUCK BY THE FACT THAT EACH OF THEM HAD
VOLUNTEERED THE INFORMATION THAT HE HAD HEARD RE-
PEATEDLY FROM PERUVIANS OF VARIOUS BACKGROUNDS AND
STATIONS IN LIFE OF THEIR INTENSE CONCERN ABOUT THE POSSI-
BILITY OF A CHILEAN ATTACK ON PERU. I SAID THAT WHILE
I HAD IN EVERY CASE POINTED OUT THAT SUCH FEARS WERE
ABSURD IT WAS NEVERTHELESS STRIKING THAT THESE OBSERVERS
REPORTED SUCH FEARS WIDELY HELD IN PERU. THIS PROMPTED
ME TO WONDER WHETHER THERE MIGHT NOT BE PRESENT IN
PERUVIAN/CHILEAN RELATIONS A RECIPROCAL MISREADING OF
EACH OTHER'S INTENTIONS, WITH A KIND OF PSYCHOLOGICAL
ESCALATION AS A RESULT. IF SO, ONE MIGHT HOPE THAT WITH
OR WITHOUT THE ASSISTANCE OF OTHERS AN IMPROVED PERUVIAN/CHILEAN
DIALOGUE ON SUCH MATTERS MIGHT REMOVE SOME OF THE SOURCES
OF CONCERN. THE FOREIGN MINISTER ACKNOWLEDGED THAT SUCH

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 DRC-01 RSC-01 INR-10 SSO-00 PM-03

EUR-10 L-02 SPC-01 EB-03 /056 W

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P 282236Z JAN 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7285

C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 0430/2

STADIS/LIMDIS////////////////////////////////////

EO 11652: GDS

TAGS: PFOR, CI

SUBJ: FOREIGN MINISTER REQUESTS BILATERAL WITH SECRETARY AT
MEXICO

AN ELEMENT MIGHT BE PRESENT IN THE SITUATION.

B. ECONOMIC SITUATION: THE FOREIGN MINISTER SAID HE WOULD NOT DESCRIBE THIS SUBJECT IN DETAIL INASMUCH AS NEW ELEMENTS WERE CHANGING THE SITUATION DAILY AND IT

WOULD UNDOUBTEDLY LOOK SOMEWHAT DIFFERENT BY THE TIME OF THE MF. NEVERTHELESS, HE WOULD WISH TO REVIEW WITH THE SECRETARY THE VERY TIGHT FINANCIAL SITUATION IN WHICH THE GOC FINDS ITSELF AS IT LOOKS FORWARD TO THE PARIS CLUB MEETING, AND THE MORE GENERAL ECONOMIC PROBLEM THE GOC FACES AS IT FINDS THAT WITH THE RISING COSTS OF PETROLEUM AND OTHER IMPORTS IT SIMPLY HAS NO MARGIN LEFT FOR CAPITAL INVESTMENT. I COMMENTED THAT I WAS HAPPY TO BE ABLE TO REPORT THAT RAUL SAEZ HAD TOLD ME HE HAD BEEN HIGHLY PLEASED WITH HIS DEBT RESCHEDULING TALKS IN WASHINGTON AND FOUND USG AUTHORITIES EXTRAORDINARILY HELPFUL AND UNDERSTANDING OF CHILE'S PROBLEMS. I SAID I THOUGHT IT WAS OF SIGNIFICANT ADVANTAGE TO THE GOC IN TERMS OF THE PARIS CLUB MEETING THAT THE USG AND THE GOC HAD BEEN ABLE TO REACH AN AGREEMENT FOR RESCHEDULING

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OUTSTANDING CHILEAN OFFICIAL DEBT FOR 1971-72. THE FOREIGN MINISTER AGREED. HE SAID THAT HIS IMPRESSION OF THE WASHINGTON RESCHEDULING TALKS WAS THE SAME AS MINE AND THAT HE APPRECIATED THE ATTITUDE SHOWN BY USG AUTHORITIES.

C. PL-480: THE FOREIGN MINISTER SAID THE GOC WILL FACE A VERY SEVERE FOOD SUPPLY SITUATION FOR THE SECOND HALF OF CALENDAR 1974 AND HE WOULD WISH TO DISCUSS PL-480 WITH THE SECRETARY. I NOTED THAT I HAD OF COURSE FORWARDED THE FOREIGN MINISTERS PL-480 REQUEST UPON RECEIPT. I SAID IT WAS MY IMPRESSION THAT THE USG WAS NOT AT THE MOMENT IN A POSITION TO DEAL EFFECTIVELY WITH PL-480 REQUESTS BECAUSE OF THE PRESENT TIGHT COMMODITY SUPPLY SITUATION AND THE CONTINUING UNCERTAINTY ABOUT AVAILABILITIES FROM THE NEW CROP YEAR.

2. I THANKED THE MINISTER FOR HIS CONSIDERATION IN GIVING ME AN ADVANCE INDICATION OF THE SUBJECTS HE WOULD LIKE TO DISCUSS WITH THE SECRETARY AND ASSURED HIM THAT I WOULD REPORT HIS INTERESTS TO THE SECRETARY.

3. COMMENTS: PERU- THE FOREIGN MINISTER'S COMMENTS ON PERU ARE A CLOSE PARAPHRASE OF REMARKS MINISTER OF DEFENSE CARVAJAL MADE TO ME IN DECEMBER BEFORE PERUVIAN PRESIDENT VELASCO PUBLICLY CONFIRMED THE PERUVIAN PURCHASE OF SOVIET TANKS. THE ONLY SIGNIFICANT DIFFERENCE IS THAT THE MINISTER OF DEFENSE ALSO ASSERTED THAT ALL THREE

PERUVIAN SERVICES ARE NOW BETTER EQUIPPED AND STRONGER THAN THEIR CHILEAN COUNTERPARTS. IN THE INTERIM, MILITARY OFFICERS OF THIS MISSION HAVE RECEIVED SIMILAR COMMENTS FROM THEIR COUNTERPARTS IN THE CHILEAN ARMED FORCES. THERE IS NO QUESTION IN MY MIND THAT THE JUNTA AND THE CHILEAN ARMED FORCES GENERALLY ARE SERIOUSLY CONCERNED ABOUT PERU AS A POTENTIAL MILITARY THREAT. VWEVER ILL-FOUNDED THEIR CONCERN MAY BE, IT IS NEVERTHELESS SERIOUS TO THEM AND MUST BE REGUARDED SERIOUSLY BY US FOR THAT REASON.

4. ECONOMIC SITUATION - THE GOC IS WORRYING ABOUT THE PARIS CLUB AND LONGER-TERM CONSEQUENCES OF A RAPIDLY
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RISING IMPORT BILL, RAUL SAEZ WNU ECONOMIC ADVISOR TO THE JUNTA, TOLD ME LAST WEEK THAT A RECALCULATION OF PETROLEUM IMPORTS AT NEW WORLD PRICES INDICATES THAT CHILE WILL SPEND AN ADDITIONAL \$180 MILLION ON PETROLEUM IMPORTS ALONE IN 1974 BEYOND WHAT GOC CALCULATED FOR IMPORTS DURING THE VISIT OF THE IMF MISSION. THE RESULT IS THAT CHILE MUST CONTEMPLATE A \$400-500 MILLION BALANCE OF PAYMENTS DEFICIET FOR 1974 RATHER THAN THE \$200 MILLION DEFICIT INCLUDED IN THE IMF REPORT. SAEZ WAS DISTURBED AT THE EFFECT THIS COULD HAVE ON THE PARIS CLUB CREDITORS.

5. PL 480 - ON DECEMBER 12 I TRANSMITTED GOC FORMAL REQUEST FOR \$194 MILLION IN AGRICULTURAL PRODUCTS UNDER PL 480, TITLE I (SANTIAGO 6093), WE HAVE NOT REPLIED. GOC LOOKS HOPEFULLY TO PL 480 AS A MEANS OF A) ASSURING BASIC FOOD SUPPLIES NOW UNCOVERED FOR SECOND HALF CY 1974; AND B) EASING GOC BALANCE OF PAYMENTS PROBLEM. FOR MY PART, ASIDE FROM WHATEVER PL 480 PROSPECTS MAY EXIST, I SEE NO OTHER MEANS BY WHICH USG COULD PROVIDE CHILE SIGNIFICANT NEW BALANCE OF PAYMENTS ASSISTANCE WITHIN THE COMING YEAR.

8. ACTION: REQUEST THAT TIME FOR MEETING WITH FOREIGN MINISTER HUERTA BE RESERVED ON SECRETARY'S MEXICO CITY SCHEDULE AND THAT I BE PROVIDED GUIDANCE FOR REPLY TO FOREIGN MINISTER.
THOMPSON

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Message Attributes

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